

§ 1710.101

to aid the development of rural electric service and to protect loan security.

[58 FR 66264, Dec. 20, 1993]

§ 1710.101 Types of eligible borrowers.

(a) RUS makes loans to corporations, states, territories, and subdivisions and agencies thereof; municipalities; people's utility districts; and cooperative, nonprofit, limited-dividend, or mutual associations that provide or propose to provide:

(1) The retail electric service needs of rural areas, or

(2) The power supply needs of distribution borrowers under the terms of power supply arrangements satisfactory to RUS.

(b) In making loans, RUS gives preference to states, territories, and subdivisions and agencies thereof; municipalities; people's utility districts; and cooperative, nonprofit, or limited-dividend associations. RUS does not make loans to individual consumers.

(c) For the purpose of determining eligibility of a distribution borrower not in default on the repayment of a loan made or guaranteed under the RE Act for a loan, loan guarantee, or lien accommodation, a default by a borrower from which a distribution borrower purchases wholesale power shall not:

(1) Be considered a default by the distribution borrower;

(2) Reduce the eligibility of the distribution borrower for assistance under the RE Act; or

(3) Be the cause, directly or indirectly, of imposing any requirement or restriction on the borrower as a condition of the assistance, except such requirements or restrictions as are necessary to implement a debt restructuring agreed on by the power supply borrower and RUS.

(d) For the purpose of determining the eligibility of a distribution borrower, RUS will consider whether the distribution borrower is current on its obligations to its wholesale power supplier under the RUS wholesale power contract.

(e) Nothing in paragraph (c) of this section relieves any distribution borrower that is a member of a power supply borrower in default on its obligations to RUS or operating under a debt

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restructuring agreement, of requirements set forth in RUS regulations, including, without limitation, §1710.112(b)(6), or of any terms and conditions that the Administrator may otherwise impose on any borrower as a condition of obtaining a loan or loan guarantee (including, in appropriate cases, member guarantees).

(f) Except as provided in paragraph (g) of this section, former borrowers that have paid off all outstanding loans may reapply for a loan to serve RE Act beneficiary loads accruing from the time the former borrower's complete loan application is received by RUS. The determination of whether an area is rural will be based on the Census designation of the area at the time of the reapplication for a loan, if the area is not served by electric facilities financed by RUS. If the area is served by electric facilities financed by RUS, it will continue to be considered rural.

(g) Former borrowers that have prepaid all, or portions of outstanding insured and direct loans in accordance with RUS regulations must comply with the provisions of 7 CFR part 1786 before being considered eligible to borrow additional funds from RUS.

[57 FR 1053, Jan. 9, 1992; 57 FR 4513, Feb. 5, 1992. Revised and redesignated at 58 FR 66264, Dec. 20, 1993]

§ 1710.102 Borrower eligibility for different types of loans.

(a) *Insured loans under section 305.* Insured loans are normally reserved for the financing of distribution and subtransmission facilities of both distribution and power supply borrowers, including, under certain circumstances, the implementation of demand side management, energy conservation programs, and on grid and off grid renewable energy systems. In accordance with §1710.110, the Administrator may require the borrower to obtain no more than 30 percent of the total debt financing required for a proposed project by means of a supplemental loan from another lender without an RUS guarantee.

(b) *Direct loans under section 4.* Direct loans are normally reserved for the financing of distribution and subtransmission facilities of both distribution and power supply borrowers, including,